2007 HR/Payroll Retirement Checklist

3 Months Prior to Retirement

☐ Employee applies to retire with URS Defined Benefit Division (phone: 366-7770, 1-800-695-4877 fax: 366-7733)

☐ Employee meets with a trained agency HR/payroll staff member to go through retirement spreadsheet estimates and discuss the following:

- ☐ 401(k) contract deadlines (end of last pay period)
  For example: if the employees last day of work is February 15, 2007, their final pay period will end on February 23rd. The final paycheck will be received on March 9th with 4 days of pay on it. The 401(k) contract must be received no later than February 23rd.
- ☐ 457 contract deadlines (must be received by URS in the calendar month prior to the date of final paycheck)
  For example: If the final paycheck is received on February 23rd, the 457 contract must be received by URS sometime in January. If the final paycheck is received March 9, the 457 contract should be received sometime in February.
- ☐ Tax issues (See Explanation of Withholding Tax on the last page)
- ☐ The final check will not be re-issued as a result of missing the 401(k) and/or 457 deadlines or if the employee does not agree with the tax withholding
- ☐ Estimate spreadsheet do not calculate taxes, so actual benefits may vary
- ☐ If a retired employee is re-hired into a benefited position in the same calendar year as retirement; an amount equal to the pension contribution will be deposited into the employee's 401(k) account (up to IRS limitations).

During the Calendar Month Prior to the Date of Final Paycheck

☐ Employee completes and employee submits voluntary 457 contract to URS (must have a specific dollar amount)

- ☐ Employee must write date of final paycheck on contract form.

☐ URS enters 457 contracts

Within 30 days of Retirement

☐ Employee meets with a trained agency HR/Payroll staff member to complete and sign retirement spreadsheet estimate

☐ Run the Pre-2006 Sick and Converted Sick Hours Moved Not Used Report, also known as LIFO (last in, first out), to make sure Program I sick leave hours have not been moved over to Program II Sick Leave Hours and not used. If this has occurred, then sick leave hours need to be returned to Program I before retirement is calculated.

☐ Make any necessary manual adjustments to converted Sick leave, if the employee is eligible to convert, to ensure that the converted sick leave ends up where the employee wants it. For example, an employee could choose to have the leave remain as sick leave, change to converted sick leave (if under 320 hours),

or change to annual leave (if 320 hours of converted sick leave has been reached). (This manual process is only necessary for pay periods 17 though 26 each year.)

- ☐ HR/Payroll completes and explains spreadsheet to employee/retiree
  - ☐ Ask employee if they are participating in the Flex Program and if they want remaining Flex contributions to come out of final paycheck in one lump sum.
  - ☐ Include Retirement and/or Service Awards on Excel spreadsheet
    - ☐ If Cash is chosen, add to wages calculation on the spreadsheet
    - ☐ If item is purchased and given to employee, then it is NOT Taxable and does not need to be listed on the spreadsheet.
    - ☐ If gift certificate is purchased, then place amount in non-cash earnings section of the retirement spreadsheet.
- ☐ Employee signs the retirement spreadsheet estimate
  - ☐ Employee can check the box on the retirement spreadsheet to be notified if significant differences occur between the estimate spreadsheet and the actual spreadsheet. Requesting such notification may delay the final check and insurance. (A significant difference is if the months of insurance the employee can purchase differs or if the 401(k)/HRA contribution amount differs by more than $500.)
- ☐ HR/Payroll completes and e-signs the automated retirement worksheet estimate form (signed by preparer and employee)
  - ☐ If employee is age 65 or older, their Program I sick leave benefit will purchase the Medicare Supplement effective the first of the month following their insurance end date. For example, if the employee's retirement date is 7/16/2006 and their last day of work is 7/14/2006, then the employee's Medicare Supplement would be effective on 8/1/2006.
    - ☐ In Section I of the automated worksheet, modify the Date of Final Ins. Deduction to reflect the end of the month. For Example, if a person's last day of work is 7/14/2006 and their final paycheck is 7/28/2006, then their insurance would normally end on 7/28/2006. However, if they are over age 65, the insurance end date should be changed to 7/31/2006, forcing the effective date of the Medicare Supplement to be 8/1/2006.
  - ☐ If the employee is under age 65, then the automated worksheet should be filled out the normal way, list the actual Date of Final Ins. Deduction. For example, an employee with a final paycheck date of 7/28/2006 will also have a Date of Final Ins. Deduction of 7/28/2006.
- ☐ Place the original completed retirement spreadsheet and automated worksheet into the personnel file, with signatures.
- ☐ HR/Payroll emails estimate spreadsheet to State Payroll at payroll@utah.gov (payroll payroll) with instructions on whether or not the employee wishes to be notified in the event of a significant difference between estimates and actual benefits

☐ Agency HR/Payroll notifies employee of the need to contact Shari Naegle at PEHP to complete insurance enrollment forms (phone number at bottom of this checklist)

☐ Explain that the insurance provided is the same level of coverage the retiree had upon retirement and is available to retirees under 65 years of age and their dependents by using 8 hours of sick or converted sick leave. Retirees are responsible for their portion of the premium at the same percentage participation rate as current employees (2% for Advantage Care and Summit Care, 7% for Preferred Care). Retirees pay a higher premium because they are in a different risk pool, so the exact cost will differ from the cost they are paying as an employee, but the percentage remains the same.

☐ State Paid insurance is also provided to retirees under 65 years of age as follows:
2006 – 5 years
2007 – 4 years
2008 – 3 years
2009 – 2 years
2010 – 1 year
2011 and after – State paid insurance is no longer provided

☐ Explain that regular insurance ends when employee turns age 65. Employee can purchase Medicare supplement with additional sick leave. Sick leave covers the PEHP Medicare D Enhanced Plan. Employee can purchase the PEHP Medicare D Basic Plan.

☐ Employee must be on Medicare A and B at the time of retirement to qualify for the PEHP Medicare Plans.

☐ The life insurance provided is the basic $25,000, until age 65. The employee can opt to convert 25% of their additional life insurance coverage into a private policy with PEHP at their own expense.

☐ Employee completes and employee submits voluntary 401(k) contract for any voluntary employee contributions to URS (must have a specific dollar amount) (due at URS by end of pay period of last day worked)

☐ Employee must write date of final paycheck, their retirement date, and their last day worked on contract form.

☐ Employee must decide if they want their regular 401(k) deferral amount to come out of their final paycheck. The regular deferral will come out of the final paycheck UNLESS the employee elects to defer a different amount. If the employee elects to defer part or all of the final check, the amount specified on the final contract overrides any amount previously set up in SAP. For example, if the employee wants their annual leave payout and their regular deferral amount to come out of their final paycheck, the total amount on the 401(k) contract must reflect the deferral + the annual leave payout amount.

☐ HR/Payroll must make sure that the retirement spreadsheet matches the amount listed on the 401(k) contract. The HR/Payroll contact should run the numbers through PayBreeze to determine if the amount listed on the 401(k) contract is available for deferral.

Tuesday following End of Pay Period after Retirement

☐ HR/Payroll enters the employee's final timesheet

☐ HR/Payroll enters termination into HRE, including comments regarding all leave payouts and the Pay Advance.

☐ URS enters all 401(k) contracts

Before Final Paycheck is cut

- ☐ State Finance reviews HRE retirement action
- ☐ State Finance enters leave payouts
- ☐ State Finance receives, reviews, updates, and approves the Actual Retirement Excel Spreadsheet
- ☐ State Finance notifies agency and/or employee of significant differences to estimated spreadsheet and actual spreadsheet (if employee requests notification final check and insurance is delayed until all issues are resolved).
- ☐ State Finance completes and e-signs the automated retirement worksheet that has already been e-signed by the preparer and employee (or on behalf of the employee).

Delayed Paycheck

- ☐ If the employee was contacted due to significant differences between the estimate and the actual retirement spreadsheet, and the employee's final paycheck is delayed, HR/Payroll will need to make sure that all remaining questions are fully answered by the employee, the information is changed, signatures are reentered, and information sent to Finance. It will be up to the employee to respond in a timely manner.

By Last Paycheck

- ☐ Employee applies for insurance coverage with PEHP (contact: Shari Naegle - 366-7512)
- ☐ PEHP staff will process automated retirement worksheet
- ☐ PEHP staff will make sure employee information matches state Finance/HR information

Other

- ☐ Authorized agency approver e-signs the automated retirement worksheet that has already been e-signed by the preparer, employee (or on behalf of the employee), and payroll.
- ☐ PEHP notifies the agency when a retiree has applied for insurance and they do not receive an automated retirement worksheet within 30 days after retirement.
- ☐ State Finance runs Retirement Management System New Worksheets report to ensure that all four e-signatures have been obtained on the automated worksheets. If not, notify the agency that e-signature must be obtained in order for worksheet to interface with PEHP.

Explanation of Withholding Tax

Any portion of gross taxable pay not offset by pre-tax deductions is subject to tax withholdings. The 401(k) and 457 deductions are pre-tax deductions for Federal and State tax purposes but **not** for Social Security and Medicare tax purposes. Therefore, you cannot shelter all of your leave payout from taxes. To illustrate, assume your annual leave payout amounts to $10,000 and you claim married and one allowance on your W-4 withholding tax form. Even though you set up a 401(k) contract for $10,000 you will still pay withholding taxes. This is because $620 must be withheld for Social Security tax and $145 for Medicare tax. In addition, Federal and State tax must be withheld on the money withheld to pay the Social Security and Medicare tax ($765). Plus, the money withheld to pay the Federal and State Income tax on the Social Security and Medicare taxes is also subject to income tax withholding. As a result only $8,910 of the $10,000 can actually be deducted for the 401(k) tax shelter as shown below. (Note: The Federal withholding rate for all leave payouts is a flat 25% of what ever is not offset by a pre-tax deduction.)

Form W-4 = Married & 1 Allowance Description	**Pay Amount**		**Apply Tax Shelter**		**Fed/State Taxable**	**SS/Med Taxable**
Annual Leave Payout	$10,000.00	-	$8,910.00*	=	$ 1,090.00	$10,000.00
Less Deductions:						
401k Pre-tax Deduction	$ 8,910.00					
Federal Tax ($1,090 @ flat 25%)	$ 272.50					
State Tax ($1,090 @ Married + 1)	$ 52.27					
Social Security ($10,000 @ 6.2%)	$ 620.00					
Medicare Tax ($10,000 @ 1.45%)	$ 145.00					
Total Deductions	$ 9,999.77					
Net Pay	$ 0.23					

** This amount can be determined by using the PayBreeze program*.

Completed by_____ Date _____